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November 14, 2005

Will Brown
Superintendent
Mountain Water District
6332 Zebulon Highway
P.O. Box 3157
Pikeville, KY 41502-3157

CERTIFICATE OF SERVICE

RE: Case No. 2005-00436
Mountain Water District

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on November 14, 2005.

Executive Director

BOD/jc
Enclosure

Will Brown
Superintendent
Mountain Water District
6332 Zebulon Highway
P.O. Box 3157
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MOUNTAIN WATER)	
DISTRICT FOR A CERTIFICATE OF PUBLIC)	CASE NO.
CONVENIENCE AND NECESSITY TO)	2005-00436
CONSTRUCT, FINANCE AND INCREASE RATES)	
PURSUANT TO KRS 278.023)	

O R D E R

On October 24, 2005, Mountain Water District ("Mountain Water") submitted an application for a Certificate of Public Convenience and Necessity to construct, finance, and increase rates for a \$3,750,000 waterworks improvement project. This project consists of the installation of approximately 19 miles of 8-inch through 4-inch water transmission main, two booster pumping stations, two 20,000-gallon water storage tanks, and related appurtenances. Project funding includes the issuance of \$1,650,000 of its Water System Revenue Bonds to the U.S. Department of Agriculture's Rural Development ("RD"), a \$600,000 grant from RD, a \$500,000 grant from the Appalachian Regional Commission, and a Community Development Block Grant in the amount of \$1,000,000.

Mountain Water's application was made pursuant to KRS 278.023, which requires the Commission to accept agreements between water utilities and the U.S. Department of Agriculture or the U.S. Department of Housing and Urban Development and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements. Given that minimum filing requirements were met in this case on October 24, 2005, KRS 278.023 does not

grant the Commission any discretionary authority to modify or reject any portion of this agreement.

IT IS THEREFORE ORDERED that:

1. Mountain Water is granted a Certificate of Public Convenience and Necessity for the proposed construction project.

2. Mountain Water's proposed plan of financing with RD is accepted.

3. Mountain Water is authorized to issue \$1,650,000 of Water System Revenue Bonds at an interest rate not to exceed 4.50 percent per annum for 40 years.

4. The proceeds from the issuance of revenue bonds shall be used only for the purposes specified in Mountain Water's application.

5. Notwithstanding Ordering Paragraph 4, if surplus funds remain after the approved construction has been completed, Mountain Water may use such surplus to construct additional plant facility if RD approves of the use and the additional construction will not result in a change in Mountain Water's rates for service. Mountain Water shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

6. Mountain Water shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certified herein.

7. Mountain Water shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining, or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section

5(1), Mountain Water shall take immediate action to ensure that the level of service conforms to the regulations of the Commission.

8. Mountain Water shall notify the Commission one week prior to the actual start of construction and at the 50 percent completion point.

9. The rates set out in Appendix A, which is attached hereto and incorporated herein, are the rates approved for service rendered on and after the date of this Order.

10. Within 30 days of the date of this Order, Mountain Water shall file with the Commission its revised tariffs setting out the rates approved herein.

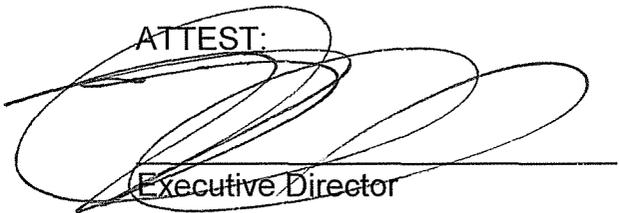
11. Three years from the effective date of this Order, Mountain Water shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 14th day of November, 2005.

By the Commission

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
 COMMISSION IN CASE NO. 2005-00436 DATED November 14, 2005.

The following rates and charges are prescribed for the customers in the area served by Mountain Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

<u>5/8" x 3/4" Meter</u>			<u>Rate</u>	
First	2,000	Gallons @	\$18.06	Minimum Bill
Next	8,000	Gallons @	\$6.03	Per 1,000 gallons
All Over	10,000	Gallons @	\$5.24	Per 1,000 gallons
<u>1" Meter</u>				
First	5,000	Gallons @	\$36.15	Minimum Bill
Next	5,000	Gallons @	\$6.03	Per 1,000 gallons
All Over	10,000	Gallons @	\$5.24	Per 1,000 gallons
<u>2" Meter</u>				
First	20,000	Gallons @	\$118.70	Minimum Bill
All Over	20,000	Gallons @	\$5.24	Per 1,000 gallons
<u>3" Meter</u>				
First	30,000	Gallons @	\$171.10	Minimum Bill
All Over	30,000	Gallons @	\$5.24	Per 1,000 gallons
<u>4" Meter</u>				
First	50,000	Gallons @	\$275.90	Minimum Bill
All Over	50,000	Gallons @	\$5.24	Per 1,000 gallons
<u>6" Meter</u>				
First	100,000	Gallons @	\$537.90	Minimum Bill
All Over	100,000	Gallons @	\$5.24	Per 1,000 gallons

5/8" X 3/4" tap-on fees \$675; all larger size meter tap-on fees will be actual cost.

Line Leak Adjustment Rate: \$3.37 – per 1,000 gallons.